

## Message Text

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PAGE 01 CARACA 00973 242226Z

62

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-10 NEA-09 ISO-00 CIAE-00

DODE-00 INR-07 NSAE-00 PA-02 RSC-01 USIA-15 PRS-01

SP-02 FEA-01 AEC-07 AID-05 CEA-01 CIEP-02 COME-00

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SAM-01 OES-05 SS-15 STR-04 TRSE-00 FRB-01 /144 W

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R 242016Z JAN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7418

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

UNCLAS CARACAS 0973

E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: MINES MINISTER PRESS CONFERENCE ON 1974 MINISTRY  
ACTIVITIES

REF: CARACAS 819

1. DURING HIS JANUARY 20 PRESS CONFERENCE, MINES MINISTER

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PAGE 02 CARACA 00973 242226Z

VALENTIN HERNANDEZ DISTRIBUTED 16-PAGE SUMMARY OF 1974 PETROLEUM

AND MINERALS ACTIVITIES ON HIS MINISTRY. SUMMARY COVERED  
FOLLOWING SUBJECTS:

2. PETROLEUM REVERSION COMMISSION- DESCRIBED AS ONE OF MOST  
RELEVANT ACTIONS TAKEN BY PRESIDENT PEREZ. TASK OF COMMISSION  
WAS TO STUDY AND ANALYZE ALTERNATIVES TO SPEED UP REVERSION OF  
OIL CONCESSIONS AND FACILITIES FOR THE PURPOSE OF GOVERNMENT  
ASSUMPTION OF CONTROL OF INDUSTRY. NATIONAL EXECUTIVE WILL  
ANALYZE DRAFT NATIONALIZATION LAW PRESENTED TO PRESIDENT  
BY COMMISSION DECEMBER 23, 1974.

3. OPEC-VENEZUELA PARTICIPATD IN SIX OPEC CONFERENCE  
IN 1974, FOUR OF WHICH WERE EXTRAORDINARY SESSIONS, TWO BOARD  
OF GOVERNORS MEETINS, AND FIVE MEETINGS OF THE ECONOMIC  
COMMISSION. ESTABLISHMENT OF SINGLE OIL PRICE SYSTEM IN DECEMBER  
1974 MEETING NOTED. PRICE OF \$10.46 TO BE USED IN ALL  
MEMBER COUNTRIES, TAKING INTO ACCOUNT QUALITY AND GEOGRAPHIC  
LOCATION ADJUSTEMENTS.

4. HYDROCARBOSN:

A. MINISTER TRIP TO MIDDLE EAST AND JAPAN- RESULTS  
DESCRIBED AS POSITIVE IN REAFFIRMING VENEZUELA'S FUNDAMENTAL  
COMMITMENT TO OPEC, AND FOR MORE CLEARLY DEFINING NEW AREAS  
OF COOPERATION BETWEEN MEMBER COUNTRIES.

B. PRODUCTION- 1974 PRODUCTION AVERAGED 2,972,624 B/D, SOME  
393,387 OR 11.65 PERCENT LESS THAN 1973. PRODUCTION FOR  
1975 EXPECTED TO AVERAGE 2.8 MILLION B/D.

C. RESERVES-PETROLEUM RESERVES IN EXISTING CONCESSIONS ROSE  
BY 34.43 PERCENT TO LEVEL OF 18.568 BILLION BARRELS AS  
OF DECEMBER 31, 1974, FROM PREVIOUS ESTIMATE. THIS  
DUE TO FACT THAT HIGHER PETROLEUM PRICES IN 1974, AND  
RESULTING INCREASE IN GOVERNMENT REVENUE, WILL MAKE INVESTMENT  
IN SECONDARY RECOVERY ECONOMICALLY FEASIBILITY AFTER  
NATIONALIZATION.

D. EXPLORATION- 76 WELLS WERE COMPLETED IN 1974 COMPATED  
TO 54 IN 1973 IN EXISTING CONCESSIONS. ANOTHER 13 WELLS  
ARE DRILLED OFFSHORE, OF WHICH FIVE WERE PRODUCERS.

E. EVALUATION OF INACTIVE FIELDS -ANALIZATION CONTINUED ON  
INFORMATION SUPPLIED BY OIL COMPANIES ON 7,000 INACTIVE WELLS.  
OF FIRST 2,025 WELLS ANALYZED, MINISTRY CONCLUDES THEY HAVE  
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PAGE 03 CARACA 00973 242226Z

PRODUCTION POTENTIAL OF ALMOST 220,000 B/D.

F. GAS-RECOVERABLE RESERVES OF ASSOCIATED GAS ARE ON ORDER  
OF 38 BILLION CUBIC FEET. DURING 1974 MINES MINISTRY WILL  
EVALUATE POTENTIAL RESERVES (NON-ASSOCIATD GAS) FOR  
PLANNING OF PETRCHOEMICAL AND STEEL INDUSTRIAL PROJECTS.

G. REFINING- 1974 AVERAGE WAS 1,208,837 B/D, SOME 7.2  
PERCENT LESS THAN IN 1973.

H. EXPORTS-CRUDE, PRODUCTS AND GAS LIQUIDS TOTALED

2,680,756 B/D, WHICH WAS 16.71 PERCENT LESS THAN 1973.

5. MINERAL PRODUCTION- VALUE OF MINERAL PRODUCTION INCREASED ALMOST 41 PERCENT TO BS 1.288 BILLION, DUE PRINCIPALLY TO INCREASE OF BOTH PRICE AND PRODUCTION OF IRON ORE. IRON ORE ACCOUNTED FOR 93 PERCENT OF VALUE, DIAMONDS FOR 6.1 PERCENT, AND GOLD AND COAL FOR 0.9 PERCENT. IRON PRODUCTION WAS 26 MILLION METRIC TONS. IRON ORE EXPORTS TOTALED 25.9 MILLION M.T., OF WHICH 15.9 MILLION WENT TO THE UNITED STATES AND 10 MILLION TO EUROPE.

6. COAL INDUSTRY NATIONAL COUNCIL- ESTABLISHED SEPTEMBER 3, 1974. APPROVED ESPLITATION OF NARICUAL COAL DEPOSIT IN ANZOATEGUI STATE AND GUASARE-CACHIRI SOCUY DEPOSIT IN ZULIA STATE BY RESPECTIVE REGIONAL DEVELOPMENT CORPORATIONS WITHOUT PRIVATE CAPITAL PARTICIPATION. FOREIGN TECHNICAL ASSISTANCE WILL BE CONTRACTED. REJECTED OFFER OF MIXED VENEZUELAN/ FOREIGN PRIVATE GROUP TO ADVISE IN DEVELOPMENT OF NARICUAL DEPOSIT.

7. NATIONALIZATION OF IRON ORE INDUSTRY- DESCRIBED LEGAL DECISION TAKEN AND PROCESS OF NATIONALIZATION DURING 1974, WHICH EMBASSY HAS SEPARATELY REPORTED.

8. IRON ORE INTERNATIONAL POLICY- IN ACCORDANCE WITH VENEZUELAN POLICY OF DEFENDING PRICES OF BASIC PRODUCTS, MINISTRY PARTICIPATED IN VII INFORMAL MEETING OF GROUP OF IRON ORE EXPORTING COUNTRIES IN GENEVA MARCH 26-29, 1974. THIS MEETING CONSIDERED POSSIBILITY OF CREATING EXPORTERS ASSOCIATION AND DESIGNATED ALGERIA, INDIA, AND VENEZUELA TO STUDY DETAILS CONCERNING ESTABLISHMENT OF SUCH A BODY TO BE PRESENTED TO VIII MEETING OF GROUP. VIII MEETING TOOK PLACE IN MONTHS OF OCTOBER AND NOVEMBER WHERE IT WAS DECIDED TO SUBMIT DRAFT UNCLASSIFIED

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PAGE 04 CARACA 00973 242226Z

STATUTES OF ASSOCIATION TO NEXT MEETING TO BE HELD IN 1975 AT MINISTERIAL LEVEL.

9. NATIONAL PETROLEUM FLEET- CREATED OFFICE FOR DEVELOPMENT OF FLEET. FIRST PROJECT WAS ANALYSIS OF CURRENT NATIONAL FLAG FLEET THAT WILL BE SUBJECT TO REVERSION. NEXT, CALCULATION OF DEMAND PREPARED FOR 50 PERCENT OF PETROLEUM EXPORTS BY NATIONAL FLEET DURING PERIOD 1975-1985. THIS STUDY CORRELATED WITH ONE FOR DEVELOPMENT OF NATIONAL NAVAL CONSTRUCTION INDUSTRY. MINISTRY THEN INVITED GROUP OF FIRMS TO BID ON PROJECT TO CONSTRUCT SHIPBUILDING INDUSTRY. IN WHICH SUCCESSFUL BIDDER WOULD HOLD NO MORE THAN 20 PERCENT OF SHARES AND WOULD GUARANTEE TO TRANSFER TECHNOLOGY IN SHORTEST TIME POSSIBLE. ONCE ESTABLISHED, THE INDUSTRY WILL BE COMPLETELY OWNED BY VENEZUELAN GOVERNMENT. AFTER THAT, TECHNICAL ASSISTANCE

OF SPECIALIZED NATURE WILL BE ALL THAT MINISTRY EXPECTS TO REQUIRE. EIGHT FIRMS WERE INVITED TO BID, NONE FROM UNITED STATES.

10. BIO-PROTEIN PLANT-MEMORANDUM OF UNDERSTANDING SIGNED WITH BRITISH PETROLEUM FOR A PROJECT TO MANUFACTURE PROTEIN FROM HYDROCARBONS FOR USE IN ANIMAL FEED. SIZE OF PROJECT WOULD BE 150,000 TONS ANNUALLY OF PARAFIN FROM GAS OIL WHICH WOULD BE THEN PROCESSED INTO 100,000 TONS ANNUALLY OF PROTEIN AND "TOPRINA" YEAST.

11. ORINOCO TAR BELT-32 STRATEGIC SOUNDINGS CARRIED OUT DURING 1974, WHICH HAS ENABLED MINISTRY TO PROVE THE EXISTENCE OF LARGER QUANTITIES OF OIL IN SITU THAN WAS ESTIMATED IN PREVIOUS YEARS. SIXTY STRATEGIC SOUNDINGS ARE PROJECTED FOR 1975. TEST PRODUCTION OF SEVERAL WELLS IS ALSO PLANNED TO LEARN MORE ABOUT RECOVERY TECHNIQUES.  
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